



SUBSIDY LAYERING REVIEW PACKAGE

Maryland Department of Housing and Community Development

*Community Development Administration
Housing Development Programs*
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Larry Hogan, Governor
Boyd K. Rutherford, Lt. Governor
Kenneth C. Holt, Secretary



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SUBSIDY LAYERING REVIEW GUIDELINES

In 2016, HUD granted the Community Development Administration, a division within the Maryland Department of Housing and Community Development (DHCD), the Housing Credit Agency as defined under Section 42 of the Internal Revenue Code of 1986, the authority to complete Subsidy Layering Reviews (SLR) for proposed Section 8 Project-Based Voucher Housing Assistance Payments Contracts.

Subsidy Layering Reviews are required prior to the execution of an AHAP for new construction and projects that will undergo rehabilitation, if the project combines project-based voucher assistance with other governmental assistance. DHCD may conduct a subsidy layering review in connection with the allocation of Low-Income Housing Tax Credits (LIHTC) and other State and Federal resources administered by the Department. The standards used must substantially comply with HUD Subsidy Layering Guidelines. Where it is determined that the inclusion of project-based voucher assistance will result in governmental assistance that is more than necessary to provide affordable housing, DHCD will make a recommendation, including supporting documentation, to HUD as to the appropriate PBV subsidy amount.

Eligible Public Housing Authorities (PHA) may submit a request for a SLR to DHCD by submitting a complete SLR package. **The application fee is \$1,000 and may be included in project underwriting when combined with DHCD financing.**

DHCD will complete Subsidy Layering Reviews in accordance with HUD Notice Docket No. FR-5417-N-02 dated September 28, 2014, as amended from time to time, after a project receives a reservation of tax credits. To complete the SLR, the project must receive a new Section 8 Project-Based Voucher award (assistance provided under Section 8(o) (13) of the U.S Housing Act of 1938 (42 U.S.C 1437)). The PHA is responsible for collecting all required documentation from the owner and providing DHCD with all the documents required for the SLR.

SLR Packages should be submitted as detailed in these instructions both CD and hardcopy to:

Elaine Cornick
Maryland Department of Housing and Community Development
Multifamily Housing Programs
7800 Harkins Road, Room 291
Lanham, Maryland 20706
301-429-7777
Elaine.Cornick@Maryland.gov

After the completion of the review, DHCD will send certification to HUD and copy the PHA and project owner.

TABLE OF CONTENTS AND APPLICATION SUBMISSION CHECKLIST

Public Housing Authority Information Form (Attached)

1. Narrative description of the project. Including Project Location, Name, Street Address, City, County, State and zip code. This should include the total number of units, including bedroom distribution. If only a portion of the units will receive project-based voucher assistance, this information is needed for both the project as a whole, and for the assisted portion. **Note: Please indicate if applicable documentation was previously submitted in the underwriting process. Please ensure that the narrative is consistent with CDA Form 202.**
2. Sources and Uses of Funds Statement Sources: Complete and submit CDA Form 202. List each source separately, indicate whether loan, grant, syndication proceeds, contributed equity, etc. Sources should generally include only permanent financing. If interim financing or a construction loan will be utilized, details should be included in a narrative (item 3 below). Uses should be detailed. Do not use broad categories such as “soft costs.” Acquisition costs should distinguish the purchase price from related costs such as appraisal, survey, titled and recording, and related legal fees. Construction and rehabilitation should include builder’s profit and overhead as separate items. **Note: Ensure that CDA Form 202, sources and uses are filled out completely.**
3. Narrative describing details of each funding source. For loans, details should include principal, interest rate, amortization, term, and any accrual, deferral, balloon or forgiveness provisions. If a lender, grantor, or syndicator is imposing reserve or escrow requirements, details should be included in the narrative. If a lender will receive a portion of the net cash flow, either as additional debt service or in addition to debt service, this should be disclosed in the narrative. List each construction and permanent source including hard, soft and forgivable debt. **(Must be consistent with CDA-Form 202)**
4. Commitment Letters from lenders or other funding sources evidencing their commitment to provide funding to the project and disclosing significant terms. Loan agreements and grant agreements are sufficient to meet this requirement. If a loan or grant agreement is provided, it must be fully executed. Each source must have a commitment including any deferred developer fee or seller notes. Each commitment should indicate the rate, term, amortization, fees and any reserve requirements or penalties associated with the funding. Commitment letters should be dated within 6 months of when an application is received. **Note: Please indicate if applicable documentation was previously submitted in the underwriting process. Please ensure that the narrative is consistent with CDA Form 202.**
5. Appraisal Report. The appraisal should establish the “as is” value of the property, before construction or rehabilitation, and without consideration of any financial implications of tax credits or project- based voucher assistance. An appraisal establishing value after the property is built or rehabilitated is not acceptable unless it also includes an “as is” valuation. **Not: Please indicate if applicable documentation was previously submitted in the underwriting process.**
6. Stabilized Operating Pro-forma. Complete and submit CDA Form 202. Must include projected rental, commercial, and miscellaneous income, vacancy loss, operating expenses, debt service, reserve contributions and cash flow. The analysis must be projected over a 15-year period. Income must be trended

at 2% and expenses must be trended at 3%. **Note: Must contain the most up-to-date project cash flow pro-forma prepared in conjunction with the DHCD Rental Lending process.**

7. Tax Credit Allocation Letter. Issued by DHCD/CDA, this letter advises the project sponsor of the amount of LIHTCs reserved for the project. **Note: DHCD will provide applicable documentation as necessary.**
8. Historic Tax Credits as applicable. Some projects in designated historical districts may receive an additional one-time historic tax credit. When applicable, the amount of the historic tax credit should be disclosed.
9. Equity Contribution Schedule. If equity contributed to the project will be paid in installments over time, a schedule should be provided showing the amount and timing of planned contributions. **Note: Please indicate if applicable documentation was previously submitted in the underwriting process.**
10. Bridge Loans as applicable. If the financing plan includes a bridge loan so that proceeds can be paid up front when equity contributions are planned over an extended period, appropriate details should be provided.
11. Standard disclosure and perjury statement. **Note: Use HUD-2880. Be sure to complete the top section of the HUD 2880 form with all of the requested information, under #4 "Amount of HUD Assistance Requested/Received", a dollar figure is required, not the number of PBVs.**
12. PHA commitment letter for project-based voucher assistance, including:
 - If more than 25% of units have PBV assistance, provide basis for exception to the 25% PBV limit
13. Proposed project-based voucher gross rent amounts and utility allowances by unit type.
 - Narrative explanation for derivation/determination/basis of the PBV contract rents
 - Form HUD-92273
 - Rent Comparability Study
 - Other/additional basis for the project's PBV contract rent determined by the Housing Authority, if applicable
14. Summary Information.
 - Public Housing Authority providing project-based vouchers (including PHA code)
 - Safe Harbor date by which you need DHCD to complete the subsidy layering review

PUBLIC HOUSING AUTHORITY INFORMATION FORM

Public Housing Authority	
Address	
Contact	
Phone	
Email	